1: Longrigg G-4, 5 (ca. 1915-1940); MH1 Iraq MH1

Haydar, the Finance Minister, and indicated an anticipated expenditure of £11 million in four years. For the moment, great loss was incurred by the disastrous fire which raged on and after 27 August in the Suq al-'Aṭṭariya of Baghdad and was extinguished only after great efforts. The Jews, as usual, were blamed. Slack demand and low prices in the date trade in 1938 and 1939 strained to excess the organization and harmony of the Date Board (p. 262) and led to its replacement, under a new law, by a Date Association in 1939. This was endowed with larger funds and powers, and a field of action covering all southern 'Iraq and all branches of growing and marketing. H. I. Lloyd, a veteran of the 'Iraq service as administrator and judge, became Director-General. An early act of the Association was to grant to Messrs. Andrew Weir a five-year monopoly for handling the purchase and export of packed dates.

The outbreak of War in September 1939 led in Baghdad inevitably to a period of financial and commercial panic, with suspension of credit, a run on the banks, buying and hoarding of food and stocks, and an abrupt rise in prices. But confidence was quickly restored and, though some dislocation of communications and shortage of shipping were felt, economic conditions returned almost to normal. In spite of the State of Emergency declared and the issue of a 'Decree for the organization of 'Iraq's economic resources' with nominal Government control of exports and imports, and the establishment of a Central Supply Board, interference in normal trading was in effect slight. There was no black-out, no air-raid precautions, and little sign of war restrictions save press and postal censorship. The date export was well organized under the new monopoly, and the British Government placed a large order for 'Iraqi barley, which was profitably fulfilled.

The Prime Minister announced on 4 September that 'Iraq would fully honour the terms of the British alliance, and thereunder would furnish all 'facilities and assistance' as provided in the Treaty. Of 'Iraq Army mobilization there was no question. Diplomatic relations with Germany were broken off, Germans interned and their property sequestrated, while their interests were entrusted to the Afghan Legation. Dr. Grobba left the country, and his propaganda organization was temporarily merged in that which had its centre at Teheran. Telegrams were exchanged between the Regent and King George VI, and every assurance given to the British Ambassador of 'Iraq's goodwill and acceptance of its obligations. Nuri Pasha's conceptions went, indeed, further than this; he envisaged a modification of the Sa'dabad Pact such as to lead to joint military and political action by its signatories, whom Egypt might join; but of such projects nothing was in fact realized.

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

Effect on Incomes and Prices

458 During the war and for a short time afterwards, Iraq experienced a severe inflation. Since then; it has enjoyed a fair degree of monetary stability, largely as a result of the conservative financial policies of the government. In fact special local circumstances have lately induced a certain degree of deflation in spite of the strong inflationary influences prevailing in the world outside. The sharp rise in the level of employment and income which will ensue from the development program is bound to alter the whole structure of the economy. Upward movements in wages and prices can certainly be expected. In part, these will be the unavoidable concomitant of the process of development. In part, they may be the result of a general inflation in world prices, which would be beyond the control of Iraq.

454x 458 The principal task confronting the government is to prevent an inflation in any way comparable to the wartime one. It is most important to avoid a marked wage and price inflation which would not only make development far more expensive, but might also create serious discontent. The government has, however, ample means at its disposal to avert such a danger, if it allows liberal use of its sterling income from oil to pay for imports.

The principal reason for the wartime inflation was the large expenditure of money by the military forces in Iraq and the lack of imported goods—for obviously cogent reasons—to satisfy the ensuing demand. Given a sufficient supply of consumer goods from abroad, there should be no reason in peacetime to repeat this [451] experience. Accordingly the Mission would recommend that in due course a competent committee re-examine the customs tariff and the system of import licensing. Some of the restrictions in the present licensing system were imposed to meet a passing situation and could well be discarded. Certain objectives, for example, restriction of imports of "luxury" goods in favor of necessities, might be better accomplished by appropriate changes in the customs tariff. Efforts should also be made to discard, if only gradually, the present method of customs valuation for goods assessed ad valorem, whereby the domestic wholesale price is taken as the basis of valuation.

7: International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

If these measures are taken to allow a free flow of imported goods, the possibility of a severe inflation should be remote. There may, of course, be difficulty in obtaining consumer goods from abroad. If this contingency should arise, it will probably be even more difficult to obtain machinery. Thus the government will be confronted, on the one hand, with the need to use a large amount of labor on its construction projects and, on the other, with a lack of goods for them to buy. In this predicament, if inflation is to be avoided and the program is not to be delayed, the government will have to siphon off that part of the increased incomes for which there is no corresponding supply of goods. This can best be done by both direct and indirect taxation at a rate which will insure a budget surplus and by sterilization of this surplus. Initially these funds might be used to retire the public debt, which is for the most part held by the banks.

Nevertheless, even if these steps are followed and severe inflation avoided, some changes in wages and prices will occur. To a large extent, movements in wages will depend on how easy it is to find the additional manpower required on development projects. Undoubtedly there is a reservoir of unemployed and underemployed people which could be tapped. As indicated earlier, considerable unemployment exists in Baghdad, Basra and Mosul, and there are many people underemployed who would welcome opportunities for full-time work. The natural growth of population should add at least 15,000 to the labor force yearly. In the country the fellah would probably be unavailable for nonagricultural work even in the off season except perhaps in the immediate neighborhood of his home, but members of his family or relatives living with him might take advantage of new employment opportunities without a significant effect on farm output. The nomadic population may also prove to be a source of labor.

But the point will, no doubt, be reached when competition for manpower will start to drive up wages and to make agricultural workers increasingly scarce in certain districts. This would not necessarily be an unwholesome symptom. Many people are employed in a very unproductive manner, simply because labor is so cheap. Coolies carry heavy loads which should be carried by truck. Production methods in many industries and handicrafts are

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still greater. Rights are recognized *ab antiquo*, which means by custom established beyond the memory of man, but since all the pumps have been installed in the last thirty years, no rights in connection with them can be recognized. The main problem has been that sheikhs or town notables put in pumps on a holding and then claim the whole of the land. Where there has been a settlement of title, claims have usually been settled on a share basis, but in other cases the pump owner has succeeded in getting the whole of the land. This is not a satisfactory position; in 1938 a draft irrigation law was prepared by the British expert on land tenure, but it has not been enacted.

The Government which came to power in Iraq after the *coup d'état* of 1936 severely criticized the policy of granting enormous blocks of land to individual owners. The fact is of course that previous governments were unable to resist the power of the sheikhs, or of the pump owners, and allowed them to jump claims to land before settlement. As a result of these criticisms, a new act was passed in 1938, which somewhat modified the powers of the pump owners, and gave the existing cultivators stronger rights.

But little progress has been made since that time. The Government's conception of reform was revealed in 1943 when the Ministry of Finance began the sale of the State leasehold (*miri sirf*) lands by auction, as an anti-inflationary measure. This was an illusory remedy for inflation, and threw away some of the State's power to reform land tenure and develop agricultural resources. In view of the fact that cultivation is likely to extend in the future as a result of new irrigation schemes, it is clearly important that the Government should decide on the principles which ought to determine future policy. If Iraq is to receive large loans for development, a settlement of the rights of the cultivators will become even more important.

PROPOSALS FOR REFORM

In Iraq, unlike the other countries of the Middle East, the reform of land tenure is the subject of genuine political discussion. Although in its economic life Iraq is far more backward than Egypt, it is politically more alive, and it is realized by the official class at least that reforms are needed, and that a new system of tenure must be evolved. Discontent with the land